IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant : Gary L. Gastineau et al.
Continuation application of
Serial No. : 09/536,258
Filed : March 27, 2000
Title : EXCHANGE TRADING OF MUTUAL FUNDS OR OTHER PORTFOLIO BASKET PRODUCTS

Art Unit : Unknown
Examiner : Unknown

Commissioner for Patents
Washington, D.C. 20231

PRELIMINARY AMENDMENT

Prior to examination, please amend the application as follows:

In the Specification:

In the title change from "HEDGING EXCHANGE TRADED MUTUAL FUNDS OR OTHER PORTFOLIO BASKET PRODUCTS" to -- EXCHANGE TRADING OF MUTUAL FUNDS OR OTHER PORTFOLIO BASKET PRODUCTS--.

In the Claims:

Please cancel claims 1-20 and replace with the following:

21. A method of intra-day trading of an actively managed fund on an exchange, comprises:

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determining in a computer system a hedging basket of securities that tracks the actively managed fund to allow a market specialist to manage investment risk that the specialist takes in the actively managed fund; and

trading the fund through the specialist through pricing of the financial product as determined between buyers and sellers of the fund.

22. The method of claim 21 wherein the value of the portfolio tracks the price of the exchange traded fund.

23. The method of claim 21 further comprising:

applying factor analysis to produce the hedging portfolio that tracks the portfolio of financial instruments to hedge the position taken by the specialist in the exchange traded fund.

24. The method of claim 23 wherein the factors that are examined by factor analysis include economic activity, inflation rates or other factors that are related to measures of economic activity.

25. The method of claim 21 wherein pricing of the product takes into consideration a calculated intra-day net asset value proxy for the fund.

26. The method of claim 21 further comprising:

determining an intra-day net asset value proxy for the fund by applying prices received from a quote feed to security positions in the fund portfolio as of the prior close of the fund.

27. The method of claim 26 wherein determining further comprises:

applying factor analysis to the portfolio of the exchange traded fund to provide the factors.

28. The method of claim 27 wherein applying occurs in a trusted computer system.

29. The method of claim 21 wherein the factors that are examined by factor analysis include economic activity, inflation rates or other factors that are related to measures of economic activity.

30. A method of trading intra-day an exchange traded fund comprises:

calculating an intra-day net asset value proxy for the fund by applying prices received from a quote feed to security positions in the fund portfolio;

trading the shares on a securities exchange by determining a price of the financial product between buyers and sellers taking into consideration information about the determined intra-day net asset value proxy for the fund.

31. The method of claim 30 wherein trading the shares on a securities exchange further comprises:

trading through a specialist and wherein the method further comprises:

hedging a position by the specialist to offset a position in the exchange traded fund.

32. The method of claim 30 wherein calculating the intra-day net asset value comprises:

adjusting the portfolio to reflect any transactions made on the prior trading day.

33. The method of claim 32 wherein the portfolio is adjusted to take into consideration factors such as dividend credits and expenses attributable to the current trading day.

34. The method of claim 30 wherein the net asset value proxy calculation is executed within a trusted system.

35. The method of claim 30 wherein the trusted system is a physical hardware and operating system configuration in which domain configuration and trust relationships are established to determine access to information in the trusted system.

36. The method of claim 35 wherein the relationship established in the trusted system is denying access to the decrypted portfolio file from outside of the calculation process.

37. The method of claim 30 wherein decrypting further comprises:

decrypting a portfolio file received from the fund and populating a table with fund positions including a security identifier and quantity of shares held in the fund.

38. The method of claim 30 further comprising:

disseminating the intra-day net asset value proxy for the fund on a periodic basis throughout a trading day.

39. A computer program product residing on a computer readable medium for trading an actively, managed, exchange traded funds, comprises instructions for causing a computer to:

produce a hedging basket of securities for a market specialist to allow the market specialist to manage investment risk in the actively managed fund; and

record executed trades of the fund between buyers and sellers that occur through the specialist by determining a price of the financial product between buyers and sellers of the fund.

40. The computer program product of claim 39 further comprising instructions to cause the computer to:

apply factor analysis to produce the hedging portfolio that tracks the portfolio of financial instruments to hedge the position taken by the specialist in the exchange traded fund.

41. The computer program product of claim 40 wherein the factors that are examined by factor analysis include economic activity, inflation rates or other factors that are related to measures of economic activity.

42. The computer program product of claim 40 further comprising instructions to cause a computer to:

determine an intra-day net asset value proxy for the fund by applying prices received from a quote feed to security positions in the fund portfolio as of the prior close of the fund.

43. The computer program product of claim 42 wherein instructions to apply occur in a trusted computer system.

44. A system to manage intra-day trading of an actively managed fund on an exchange, comprises:

a computer system including a processor and memory to execute computer instructions and storage to store a computer program product comprises instructions for causing a computer to:

produce a hedging basket of securities for a market specialist to allow the market specialist to manage investment risk in the actively managed fund; and system further comprising:

a trade process that allows trades of the fund to be executed between buyers and sellers through the specialist by determining a price of the financial product between buyers and sellers of the fund.

45. The system of claim 44 wherein instructions to produce a hedging basket further comprise instructions to:

apply factor analysis to produce the hedging portfolio that tracks the portfolio of financial instruments to hedge the position taken by the specialist in the exchange traded fund.

46. The system of claim 45 wherein the factors that are examined by factor analysis include economic activity, inflation rates or other factors that are related to measures of economic activity.

47. The system of claim 44 wherein the computer system stores a computer program product comprises instructions for causing a computer to:

determine an intra-day net asset value proxy for the fund by applying prices received from a quote feed to security positions in the fund portfolio as of the prior close of the fund.

48. The system of claim 45 further comprising:

a second computer system which is a trusted computer system including a second processor and second memory to execute computer instructions and storage to store a computer program product comprises instructions for causing a computer to:

determine a determine an intra-day net asset value proxy for the fund by applying prices received from a quote feed to security positions in the fund portfolio as of the prior close of the fund.

REMARKS

Applicant has enclosed herewith a new application based on Serial No. 09/536,258 Filed March 27, 2000. This application claims an additional invention, which is supported in the parent application, as filed.

Applicant has also made minor amendments to the specification. No new matter has been added. Also enclosed herewith are new declarations of the inventors.

Applicant submits that all of the claims are now in condition for examination, which action is requested.

Please apply any other charges or credits to Deposit Account No. 06-1050.

Respectfully submitted,

Date: 3/23/2001

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